Annual Report of the Supervisor of Consumer Credit

For Year Ending
December 31, 1983

Alberta

CONSUMER AND
CORPORATE AFFAIRS

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Office of the Minister

402 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report of the Supervisor of Consumer Credit for the year ending December 31, 1983, as required under the terms of The Credit and Loan Agreements Act.

Respectfully submitted,

Constantine E. Osterman

Constantine E. Osterman (Mrs.)
Minister of Consumer
and Corporate Affairs
M.L.A. for Three Hills

ANNUAL REPORT

To The Honourable Connie Osterman (Mrs.)
Minister of Consumer and Corporate Affairs
M.L.A. for Three Hills

Madame:

I am pleased to submit herewith my Annual Report for the year ending December 31, 1983, pursuant to the provisions of The Credit and Loan Agreements Act.

Respectfully submitted,

D.A. Bence
Supervisor of Consumer Credit

ANNUAL REPORT OF

THE SUPERVISOR OF CONSUMER CREDIT

Trends in Consumer Credit

The average consumer appears cautious in assuming additional debt. Consumer debt to chartered banks in Alberta decreased 47 million dollars at the end of the same reporting period from 1982 figures leaving the reported amount at 4.497 billion dollars.

The Prime Interest rate in Canada showed far less fluctuation than in 1982, going as low as 9.38 per cent and reaching a high of 10.04 per cent in 1983.

Credit card user fees were implemented in 1983, generating few enquiries from credit card users and "no interest" marketing methods continued to gain popularity.

Revisions to the Bank Act regulations were proclaimed in April 1983. The most significant changes for the consumer were uniform disclosure rules for credit and the abolition of the "Rule of 78th's". The "Rule of 78th's" is a method used to calculate the refund of unearned interest at the time of pay-out on loans in which the principal and interest amounts are blended with each payment. Although this method was abolished in terms of bank loans, it still applies to conditional sales contracts which are then assigned to the regulated institutions.

Throughout 1983 Bankruptcies in Alberta continued to rise but at a slower rate than in 1982.

Table 1. Total Personal Bankruptcies

1980		1981		1982		1983	
Canada	Alberta	Canada	Alberta	Canada	Alberta	Canada	Alberta
21,025	1,038	23,036	1,441	30,643	2,123	26,822	2,411
17.5%	26.1%	9.5%	10.0%	32.8%	47.3%	-12.47%	13.5%

Tax Discounting

The Credit and Loan Agreements Act requires the registration of all tax discounters in Alberta. As of December 31, 1983, there were 13 tax discounting operations registered in the province. This is up one from 1982. However, their activity continues to greatly surpass previous years. (see Appendix 1)

The Consumer Credit Program administers the Federal Tax Rebate Discounting Act through close co-operation with Consumer and Corporate Affairs Canada and the R.C.M.P.

Few complaints were received against tax discounters in 1983. There was no enforcement activity conducted through the courts except that an appeal of a 1982 sentence was finalized.

Education

Quality education in the consumer credit area is a high priority. It is an effective way of helping Albertan's better understand what can often become a confusing transaction. Informed credit use will help reduce abuse.

To that end, department staff developed a new self help publication called Taking Charge of Your Money. The publication, in easy to read magazine format, is complete with do-it-yourself budget charts, planning exercises and questionnaires. It has received w[illegible] acceptance. Although only introduced on October 3, 1983, the Taking Charge of Your Money magazine was distributed to 80,000 Albertans and will have a second print run of over 84,000.

Current Business Practices

Department regional offices received and investigated a total of 354 credit related complaints. These included 16 examinations of various types of credit grantors and collection agencies.

Credit related complaints are down from 1982. However, enforcement activity through the courts produced fines against credit advertisers, a collection agency and a tax discounter totalling $4,330.00. As a result, more than $13,000.00 in restitution was paid to Albertans. (See Appendices 2 and 3)

Industry Liaison

Credit related matters continue to be discussed with representatives of various credit industry interest groups. Included were representatives of local and national credit grantors, retail interest groups and concerned individuals. In addition, a continued good working relationship was maintained with federal authorities as well as other provincial government offices with similar mandates.

Appendix 1

Activity of Alberta Tax Discounters

	1980	1981	1982	1983
Number of Returns Acquired	2569	4781	8312	20254
Total Amount of Refunds Acquired	$1,675,687.00	$3,531,913.00	$6,744,088.00	$18,145,626.00
Average Refund	$652.27	$738.74	$811.37	$895.90
Total Discount Retained	$175,530.00	$436,863.00	$897,538.00	$2,582,875.00
Average Discount Per Return	$68.33	$91.37	$107.98	$127.52
Percentage of Refund Retained	10.48%	12.40%	13.30%	14.23%

Appendix 2

Summary of Credit Complaints Received By Consumer Credit Program in 1983

Complaint Investigations (By Business Type)

	1983 TOTAL
Collection Agency	133
Retail	93
Bank (includes credit unions and trust companies)	60
Finance Company	21
Mail Order	8
Tax Discounter	20
Personal Services	9
Credit Reporting	1
Other	9
TOTAL	354

Appendix 3

Complaint Investigations (Problem Type)

	1983 TOTAL
Collection Practices	112
Cost of Credit	38
Advertising	55
Pay Out Calculation	26
Contract Liability	38
Unethical Practices	14
Cancellation of Contract	5
All Others (includes licencing investigations)	66
Total Complaints	354
Total dollar settlements of all complaint investigation files	$40,066.00
Average amount per file	$113.18